LBO BUDGET FOOTNOTES

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Highlights

– Russ Keller, Chief Economist

The first quarter of FY 2027 was characterized by strong sales tax receipts and delayed GRF spending for property tax reimbursements.[1] The sales and use tax (SUT) yielded the largest positive variance among GRF tax sources, exceeding its year-to-date (YTD) estimate by $185.2 million (4.8%). Total GRF tax revenue outperformed the Office of Budget and Management (OBM) estimate by $230.8 million (3.0%) through the end of September.

Ohio's unemployment rate dropped to 3.3% in August, marking the eighth consecutive monthly decline from the 4.4% unemployment rate observed in December 2025. Meanwhile, the state's labor force participation rate decreased by one percentage point to 61.3% over that same time span, suggesting that some unemployed workers may have exited the labor force entirely.

Through September 2026, GRF sources totaled $12.91 billion:

- The personal income tax (PIT) was $83.6 million (2.9%) above its YTD estimate while the commercial activity tax (CAT) was $40.3 million (6.6%) shy of anticipated revenue.
- When controlling for the FY 2026 sales tax holiday and its associated forgone GRF revenue of $186.5 million, the SUT increased by $522.9 million (14.9%) in FY 2027 as compared to the same quarter in the prior year. Multiple tax policy changes likely played a role in GRF revenue growth, especially for SUT paid by businesses.

Through September 2026, GRF uses totaled $15.55 billion:

- Program expenditures were $722.9 million (5.0%) below their YTD estimate.
- The Property Tax Reimbursements category recorded a $561.1 million (81.6%) negative variance due to the timing of county auditors' requests for property tax reimbursements. The delay was related to recently enacted state legislation affecting property tax bills issued in the latter half of calendar year 2026.

[1] This report compares actual monthly and YTD GRF sources and uses to OBM's estimates. If the actual amount was above estimate, that GRF source or use has a positive variance. Alternatively, if the actual amount was below estimate, that GRF source or use has a negative variance.

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Table 1: Monthly General Revenue Fund Sources

Actual vs. Estimate
Month of September 2026
($ in thousands)
Estimate from Office of Budget and Management
Actual based on report run in OAKS Actuals Ledger on October 1, 2026

Sources	Actual	Estimate	Variance	Percent
Tax Revenue				
Auto Sales	$185,139	$163,400	$21,739	13.3%
Nonauto Sales and Use	$1,162,197	$1,006,000	$156,197	15.5%
Total Sales and Use	*$1,347,336*	*$1,169,400*	*$177,936*	*15.2%*
Personal Income	$1,174,412	$1,145,800	$28,612	2.5%
Commercial Activity Tax	$0	$8,400	-$8,400	-100.0%
Cigarette	$55,744	$58,600	-$2,856	-4.9%
Kilowatt-Hour Excise	$33,088	$34,200	-$1,112	-3.3%
Insurance Taxes	$17,911	$13,300	$4,611	34.7%
Financial Institution	-$8,016	-$10,825	$2,809	26.0%
Public Utility	$174	$0	$174	---
Natural Gas Consumption	$0	$0	$0	---
Alcoholic Beverage	$5,598	$5,700	-$102	-1.8%
Liquor Gallonage	$4,268	$4,400	-$132	-3.0%
Adult Use Cannabis	$6,655	$6,300	$355	5.6%
Petroleum Activity Tax	$2,255	$2,600	-$345	-13.3%
Corporate Franchise	$0	$0	$0	---
Business and Property	$0	$0	$0	---
Estate	$0	$0	$0	---
Total Tax Revenue	**$2,639,426**	**$2,437,875**	**$201,551**	**8.3%**
Nontax Revenue				
Earnings on Investments	$0	$0	$0	---
Licenses and Fees	$2,056	$1,963	$93	4.8%
Other Revenue	$1,349	$56,286	-$54,937	-97.6%
Total Nontax Revenue	**$3,405**	**$58,249**	**-$54,844**	**-94.2%**
Transfers In	$426	$0	$426	---
Total State Sources	**$2,643,256**	**$2,496,124**	**$147,132**	**5.9%**
Federal Grants	$1,437,804	$1,418,509	$19,295	1.4%
Total GRF Sources	**$4,081,060**	**$3,914,633**	**$166,427**	**4.3%**

Table 2: YTD General Revenue Fund Sources

Actual vs. Estimate
FY 2027 as of September 30, 2026
($ in thousands)
Estimate from Office of Budget and Management
Actual based on report run in OAKS Actuals Ledger on October 1, 2026

Sources	Actual	Estimate	Variance	Percent	FY 2026	Percent
Tax Revenue						
Auto Sales	$575,797	$552,300	$23,497	4.3%	$530,505	8.5%
Nonauto Sales and Use	$3,460,251	$3,298,500	$161,752	4.9%	$2,796,138	23.8%
Total Sales and Use	*$4,036,048*	*$3,850,800*	*$185,249*	*4.8%*	*$3,326,643*	*21.3%*
Personal Income	$2,922,483	$2,838,900	$83,583	2.9%	$2,862,130	2.1%
Commercial Activity Tax	$573,524	$613,800	-$40,277	-6.6%	$586,053	-2.1%
Cigarette	$148,025	$149,400	-$1,374	-0.9%	$153,819	-3.8%
Kilowatt-Hour Excise	$96,785	$98,700	-$1,915	-1.9%	$94,858	2.0%
Insurance Taxes	$20,225	$15,900	$4,326	27.2%	$13,952	45.0%
Financial Institution	-$7,530	-$10,500	$2,970	28.3%	-$4,098	---
Public Utility	$48,334	$49,200	-$866	-1.8%	$43,291	11.6%
Natural Gas Consumption	$12,013	$13,800	-$1,787	-12.9%	$14,549	-17.4%
Alcoholic Beverage	$20,587	$20,000	$586	2.9%	$20,190	2.0%
Liquor Gallonage	$13,250	$13,300	-$50	-0.4%	$13,579	-2.4%
Adult Use Cannabis	$19,823	$19,100	$723	3.8%	$8,908	122.5%
Petroleum Activity Tax	$2,255	$2,600	-$345	-13.3%	$2,146	5.1%
Corporate Franchise	$1	$0	$1	---	$14	-95.6%
Business and Property	$0	$0	$0	---	$0	---
Estate	$0	$0	$0	---	$0	---
Total Tax Revenue	**$7,905,823**	**$7,675,000**	**$230,823**	**3.0%**	**$7,136,033**	**10.8%**
Nontax Revenue						
Earnings on Investments	$0	$0	$0	---	$0	691.0%
Licenses and Fees	$9,751	$9,079	$672	7.4%	$7,655	27.4%
Other Revenue	$49,213	$58,073	-$8,860	-15.3%	$84,332	-41.6%
Total Nontax Revenue	**$58,964**	**$67,151**	**-$8,188**	**-12.2%**	**$91,987**	**-35.9%**
Transfers In	$6,500	$606	$5,894	973.1%	$361,362	-98.2%
Total State Sources	**$7,971,286**	**$7,742,757**	**$228,529**	**3.0%**	**$7,589,382**	**5.0%**
Federal Grants	$4,934,302	$4,971,057	-$36,755	-0.7%	$4,906,749	0.6%
Total GRF Sources	**$12,905,588**	**$12,713,814**	**$191,774**	**1.5%**	**$12,496,130**	**3.3%**

Revenues

– Ruhaiza Ridzwan, Senior Economist

Overview

September GRF total tax revenue was $2.64 billion, exceeding OBM's estimate by $201.6 million (8.3%). The largest source of the positive variance was the sales and use tax, which was $177.9 million (15.2%) above estimate; followed by the PIT, $28.6 million (2.5%) above; and insurance taxes, $4.6 million (34.7%) above. Three other tax sources were also above their respective estimates. Six tax sources had negative variances totaling $12.9 million, of which the largest was from the CAT, which was $8.4 million below estimate. The positive variance from GRF tax receipts was augmented by a combined positive variance from transfers in and federal grants of $19.7 million. However, a $54.8 million negative variance from nontax revenue, slightly reduced the positive variance for total GRF sources of $166.4 million (4.3%) for the month.

Total GRF revenue consists of tax revenue, the largest single revenue category, together with nontax revenue, transfers in from other state funds, and federal grants. The first three of those categories added together constitute state source revenue. Federal grants are mostly reimbursements for the federal share of Medicaid spending. Table 1 above shows GRF sources for the month of September compared to estimates, while Table 2 shows GRF sources for the fiscal YTD compared to both estimates and FY 2026 revenue.

YTD GRF tax receipts totaled $7.91 billion, $230.8 million (3.0%) above estimate. The YTD positive variance was led by strong performance from the sales and use tax, which was $185.2 million (4.8%) above estimate. Revenue from PIT and insurance taxes were also above estimates, by $83.6 million (2.9%) and $4.3 million (27.2%), respectively. However, CAT was $40.3 million (6.6%) below estimate. Other tax sources were fairly close to their respective estimates. Nontax revenue and federal grants were below their estimates by $8.2 million and $36.8 million, respectively, while transfers in were $5.9 million above estimate. Total YTD GRF sources were $12.91 billion, $191.8 million (1.5%) higher than OBM's estimate.

YTD GRF tax revenue through September was $769.8 million (10.8%) more than in the first three months in FY 2026. The increase was largely driven by the sales and use tax, which increased by $709.4 million (21.3%); PIT, which increased by $60.4 million (2.1%); insurance taxes, which increased by $6.3 million (45.0%); and the public utility tax, which increased by $5.0 million (11.6%). However, YTD GRF tax revenue from CAT was $12.5 million (2.1%) lower than in the same period in FY 2026. YTD nontax revenue was $33.0 million lower than in the same period in FY 2026. Transfers in were $354.9 million lower than in the same period a year earlier. Total state-source revenue was higher than a year earlier by $381.9 million (5.0%). GRF revenue from federal grants was higher than in the year-earlier period by $27.6 million (0.6%). Total YTD GRF sources were $409.5 million (3.3%) higher than in the same period in FY 2026.

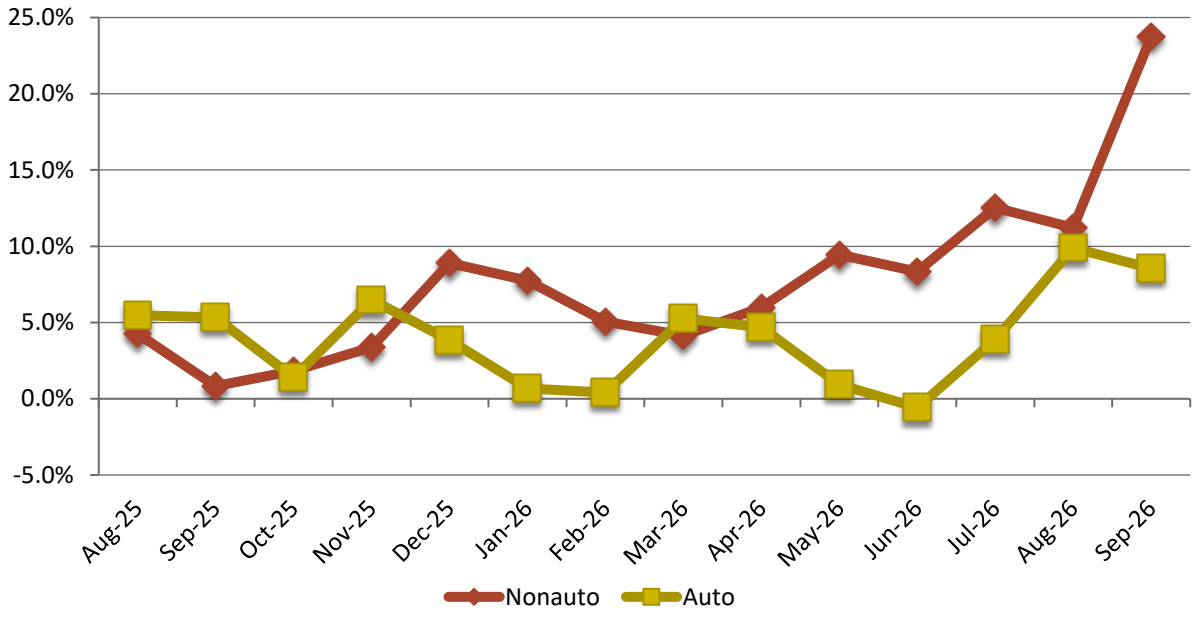
Sales and Use Tax

GRF receipts from the sales and use tax were $1.35 billion in September, above estimate by $177.9 million and more than revenue collected in September 2025 by $408.9 million. YTD

through September, receipts from the tax were $4.04 billion, $185.2 million above estimate and $709.4 million more than receipts in the same period in FY 2026.

The sales and use tax is the state's largest tax revenue source. The tax base for this tax is mostly goods but includes some services. It excludes some household basics like food consumed off the premises where sold, rent, mortgage payments, and utilities. Inflation tends to increase tax revenue, unless consumers reduce the volume of their purchases enough to offset price increases.

Chart 1: Auto and Nonauto Sales and Use Tax Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



For analysis and forecasting, revenue from the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections generally are from the sale of motor vehicles, but auto taxes arising from leases are paid at the lease signing and are mostly recorded under the nonauto tax instead of the auto tax. Chart 1 shows year-over-year growth in nonauto sales and use tax collections since August 2025. The data are shown using a three-month moving average to smooth out some of the variability that would appear if year-over-year growth were shown for each individual month.

Nonauto Sales and Use Tax

In September, nonauto sales and use tax GRF receipts were $1.16 billion, $156.2 million (15.5%) above the OBM estimate and nearly $397.0 million (51.9%) above revenue in September 2025. Revenue collections one year ago were tempered by the expanded sales tax holiday, whereas a more limited "back-to-school" sales tax holiday occurred this year. YTD revenues were

$3.46 billion, $161.8 million (4.9%) above estimate and $664.1 million (23.8%) higher than receipts in the same period a year earlier.

Consumers do not appear to be the sole catalyst for the swift rise in tax revenue. Based on U.S. Census Bureau advance estimates (PDF), total retail sales for June through August 2026, not adjusted for seasonal variation, were up by 6% compared to the same period in 2025. Potentially, the growth in tax receipts was spurred by changes in tax policy. The aforementioned sales tax holiday was one of several policy changes that complicate the year-over-year comparison. The main operating budget repealed several sales tax exemptions largely applicable to businesses beginning in January 2026, and the most recently approved data center tax exemptions were more limited than previously approved projects. Moreover, business investment (and its associated spending on taxable goods and services) may have exhibited a behavioral response to federal tax legislation enacted in July 2025.

As seen in Chart 1, nonauto sales and use tax receipts, as measured by their three-month moving average, recorded strong gains in the most recent month, rising 23.8% in September. The recent gains in Chart 1 were partially spurred by July tax collections, which outpaced the highest monthly collections observed in FY 2026. Traditionally, nonauto sales tax collections peak in December or January, so the latest July result was notable. Amazon moved its annual "Prime Day" from July to June in 2026, and other retailers followed suit with their discount shopping events. June retail sales activity is the basis for July sales tax collections. These summertime results strengthened the upward trend over the past year, with year-over-year growth becoming more pronounced since February. The pattern from August 2025 to recent months reflects consistent improvement in taxable sales activity. September through November appears lower than surrounding months due to the 2025 sales tax holiday and the associated lag in the receipt of those tax collections from vendors, as well as three-month averaging.

Auto Sales and Use Tax

Receipts from the auto component of the sales and use tax were $185.1 million in September, $21.7 million (13.3%) above estimate and $11.9 million (6.9%) above receipts in September 2025. Tax receipts in the first quarter of FY 2027 totaled $575.8 million, above the estimate by $23.5 million (4.3%), and above year earlier revenues by $45.3 million (8.5%). Auto sales tax collections generally reflect purchases made in the same month revenue is received, as local authorities remit them on a weekly basis.

Chart 1, above, shows the year-over-year change in the three-month moving average of auto sales and use tax collections since August 2025. Auto sales and use tax receipts are volatile from one month to the next, and subject to pronounced seasonal swings. After a period of softer growth through the winter, vehicle purchases began to accelerate in spring 2026, which is a season when tax refunds boost used vehicle purchases. Growth leveled off during May and June, reflecting a slower volume of new vehicle sales and the comparison against brisk auto purchases during summer 2025 ahead of the expiration of federal tax credits. In September, auto sales and use tax collections decreased slightly, but remained stronger than in September of last year.

Nationwide, new light vehicle (autos and light trucks) sales, not seasonally adjusted, in September were 4.4% lower than August, though sales were up by 4.2% compared to the

corresponding month in the previous year. New light vehicles sales in the third calendar quarter of 2026 were 1.4% lower than the corresponding period in 2025. According to Manheim Used Vehicle Value Index, wholesale used vehicle prices decreased 1.1% from August to September but decreased only 0.6% compared to prices in September of last year. In September wholesale prices for electric vehicles and compact cars increased while midsize cars, SUVs, and pickup trucks declined as weekly retail gasoline and diesel prices in the nation remained high.

Ohio departed somewhat from national trends according to new and used vehicle title data provided by the Ohio Bureau of Motor Vehicles. Ohio's pace of new vehicle sales was below the national level, but the prices paid for used vehicles grew faster than the rest of the country. The dichotomy might indicate a penchant among Ohioans to eschew new vehicle purchases in favor of upmarket used vehicles. In the table below, total spending on both new and used passenger vehicles and trucks in the first quarter of FY 2027 increased by 5.5%, compared to the corresponding quarter in the prior year. Average prices for both new and used vehicles were higher than in the first quarter in the prior year. Unit purchases of new motor vehicles were up 2.2%, though unit sales for used vehicles, which account for the majority of titles issued, were down 1.5%.

New and Used Vehicles Titled

FY 2027 1st Quarter	Titles	Spending ($ in millions)	Average Purchase Price
New Vehicles	101,183	$5,144	$50,842
Used Vehicles	396,503	$5,819	$14,675
Total	**497,686**	**$10,963**	**$22,028**
Growth from FY 2026 1st Quarter			
New Vehicles	2.2%	5.1%	2.8%
Used Vehicles	-1.5%	5.8%	7.5%
Total	**-0.8%**	**5.5%**	**6.3%**

Personal Income Tax

September's GRF revenue from the PIT was $1.17 billion, $28.6 million (2.5%) above estimate, and $29.1 million (2.5%) above revenue collected in September 2025. GRF revenue received in the first quarter of this fiscal year totaled $2.92 billion, $83.6 million (2.9%) above estimate and $60.4 million (2.1%) more than in the first three months a year earlier. Gross PIT tax collections include withholding payments, pass-through entity (PTE) annual returns and estimated payments, IT-1040 estimated payments, payments accompanying the filing of annual returns, trust payments, and miscellaneous payments. Refunds are subtracted from these gross

collections, and a portion of revenue is transferred to the Local Government Fund (LGF). What remains is GRF PIT revenue.

The table below provides details on revenue from PIT components in September relative to OBM estimates and year-earlier revenues. Gross collections were $86.2 million (2.7%) above anticipated revenue, and $93.4 million (2.9%) above year-earlier revenues. Withholding, the largest category, was $31.5 million (1.2%) above anticipated revenue, and $61.2 million (2.3%) above a year earlier, reflecting continued employment and wage growth. Withholding rates were reduced on August 1, as the Tax Commissioner prescribed lower employer withholding tables first applicable to August paychecks. PTE estimated payments were lower than in the year-earlier period ($9.8 million, 4.7%), whereas refunds ($22.6 million, 12.2%) and LGF distributions ($10.4 million, 7.3%) were higher in FY 2027.

YTD Personal Income Tax Revenue Variance from Estimate and Annual Change from FY 2026 by Component
($ in millions)

Component	Variance from Estimate	Variance %	Change from FY 2026	Annual Change %
Withholding	$31.5	1.2%	$61.2	2.3%
PTE Annual Returns	$9.6	17.6%	$13.4	26.4%
PTE Estimated Payments	$26.9	15.8%	-$9.8	-4.7%
IT-1040 Estimated Payments	$24.4	13.2%	$25.9	14.1%
Annual Return Payments	-$7.6	-14.3%	-$2.0	-4.2%
Trust Payments	$0.5	4.4%	$1.1	10.2%
Miscellaneous Payments	$0.9	4.1%	$3.5	17.3%
Total (Gross Collections)	**$86.2**	**2.7%**	**$93.4**	**2.9%**
Less Refunds	$2.0	1.0%	$22.6	12.2%
Less LGF Distribution	$0.6	0.4%	$10.4	7.3%
GRF PIT Revenue	**$83.6**	**2.9%**	**$60.4**	**2.1%**

Commercial Activity Tax

In September, CAT receipts were not deposited into the GRF as refunds were larger than expected. In comparison, September's estimate was only $8.4 million, and CAT GRF revenue in September 2025 was just $13.9 million. YTD, CAT receipts were $573.5 million, $40.3 million (6.6%) lower than the YTD estimate and $12.5 million (2.1%) less than collections in the first three months in FY 2026. CAT payments are due in February, May, August, and November based on gross receipts in the previous calendar quarter.

YTD through September, gross collections prior to refunds totaled $651.5 million, an increase of $24.8 million (4.0%) relative to gross collections in the same period of FY 2026. YTD refunds were $74.1 million, or $37.4 million (102.1%) higher than in the same period of FY 2026. The increase in refunds kept YTD GRF revenue growth in FY 2027 lower than in the same period of FY 2026.

Cigarette and Other Tobacco Products Tax

September's revenue from the cigarette and other tobacco products (OTP) tax totaled $55.7 million, below estimate by $2.9 million (4.9%) and below collections in September 2025 by $6.1 million (9.9%). Revenue in the first three months of FY 2027 from the tax was $148.0 million, $1.4 million (0.9%) below estimate. The fiscal YTD total included $117.5 million from cigarette sales and $30.5 million from OTP.

FY 2027 YTD revenue was $5.8 million (0.4%) less than in the first three months of FY 2026. Receipts from cigarette sales decreased by $3.4 million (2.8%) while OTP sales decreased by $2.4 million (7.4%). In recent years, OTP revenue has generally increased, presumably because its ad valorem tax structure (17% of wholesale price) tends to rise as prices increase. However, this pattern was upended in the first three months of FY 2027. Industry trade publications indicate that chewing tobacco sales were down as tobacco-free nicotine pouches rapidly gained market share. The former is within the OTP tax base whereas the latter is not.

Cigarette taxation, in contrast, is based on unit sales, so tax receipts are more aligned with consumption. Cigarette tax revenue typically declines each year, with occasional months of higher receipts than a year earlier. Cigarette revenue decreased in the first three months of FY 2027 compared with the same period in FY 2026, suggesting cigarette sales activity in earlier months of FY 2027 corresponds with historical trends.

Transfers In

In September, transfers into the GRF were nearly $426,000, even though no transfer was anticipated for the month. This reflects a transfer of cash from the Controlling Board Emergency Purposes Fund (Fund 5KM0) to GRF ALI 745505, State Active Duty, in the Adjutant General's budget due to active duty missions ordered by the Governor to assist state and local authorities with disaster recovery and cleanup efforts caused by storms in the state. YTD transfers into the GRF totaled $6.5 million.

Table 3: Monthly General Revenue Fund Uses

Actual vs. Estimate
Month of September 2026
($ in thousands)
Estimate from Office of Budget and Management
Actual based on report run in OAKS Actuals Ledger on October 6, 2026

Program Category	Actual	Estimate	Variance	Percent
Primary and Secondary Education	$812,945	$814,178	-$1,233	-0.2%
Higher Education	$252,841	$255,380	-$2,539	-1.0%
Other Education	$12,121	$21,017	-$8,895	-42.3%
Total Education	**$1,077,908**	**$1,090,576**	**-$12,668**	**-1.2%**
Medicaid	$2,178,750	$2,046,565	$132,185	6.5%
Health and Human Services	$252,844	$270,892	-$18,048	-6.7%
Total Health and Human Services	**$2,431,594**	**$2,317,457**	**$114,137**	**4.9%**
Justice and Public Protection	$328,635	$308,484	$20,151	6.5%
General Government	$40,078	$54,045	-$13,967	-25.8%
Total Government Operations	**$368,714**	**$362,529**	**$6,184**	**1.7%**
Property Tax Reimbursements	$97,588	$531,657	-$434,069	-81.6%
Debt Service	$130,598	$247,039	-$116,441	-47.1%
Total Other Expenditures	**$228,186**	**$778,696**	**-$550,510**	**-70.7%**
Total Program Expenditures	**$4,106,401**	**$4,549,258**	**-$442,857**	**-9.7%**
Transfers Out	$1,000	$0	$1,000	---
Total GRF Uses	**$4,107,401**	**$4,549,258**	**-$441,857**	**-9.7%**

Table 4: YTD General Revenue Fund Uses

Actual vs. Estimate
FY 2027 as of September 30, 2026
($ in thousands)
Estimate from Office of Budget and Management
Actual based on report run in OAKS Actuals Ledger on October 6, 2026

Program Category	Actual	Estimate	Variance	Percent	FY 2026	Percent
Primary and Secondary Education	$2,734,119	$2,741,476	-$7,357	-0.3%	$2,622,520	4.3%
Higher Education	$721,416	$712,353	$9,063	1.3%	$662,422	8.9%
Other Education	$53,118	$55,621	-$2,503	-4.5%	$51,102	3.9%
Total Education	**$3,508,653**	**$3,509,450**	**-$797**	**0.0%**	**$3,336,045**	**5.2%**
Medicaid	$7,723,812	$7,719,429	$4,383	0.1%	$7,677,530	0.6%
Health and Human Services	$701,612	$772,002	-$70,390	-9.1%	$632,194	11.0%
Total Health and Human Services	**$8,425,425**	**$8,491,432**	**-$66,007**	**-0.8%**	**$8,309,724**	**1.4%**
Justice and Public Protection	$974,840	$1,044,757	-$69,916	-6.7%	$946,997	2.9%
General Government	$168,439	$187,420	-$18,981	-10.1%	$146,265	15.2%
Total Government Operations	**$1,143,279**	**$1,232,176**	**-$88,897**	**-7.2%**	**$1,093,262**	**4.6%**
Property Tax Reimbursements	$126,833	$687,936	-$561,103	-81.6%	$779,829	-83.7%
Debt Service	$494,629	$500,697	-$6,068	-1.2%	$521,160	-5.1%
Total Other Expenditures	**$621,462**	**$1,188,632**	**-$567,170**	**-47.7%**	**$1,300,989**	**-52.2%**
Total Program Expenditures	**$13,698,818**	**$14,421,690**	**-$722,872**	**-5.0%**	**$14,040,020**	**-2.4%**
Transfers Out	$1,849,798	$1,888,050	-$38,252	-2.0%	$951,259	94.5%
Total GRF Uses	**$15,548,617**	**$16,309,740**	**-$761,124**	**-4.7%**	**$14,991,279**	**3.7%**

Table 5: Monthly Medicaid Expenditure by Agency and Fund Group

Actual vs. Estimate
Month of September 2026
($ in thousands)
Estimate from Department of Medicaid
Actual based on report run in OAKS Actuals Ledger on October 5. 2026

Agency/Fund Group	Actual	Estimate	Variance	Percent
Medicaid				
GRF	$2,065,077	$1,936,837	$128,240	6.6%
Non-GRF	$1,711,207	$3,745,607	-$2,034,400	-54.3%
All Funds	**$3,776,284**	**$5,682,444**	**-$1,906,160**	**-33.5%**
Developmental Disabilities				
GRF	$96,996	$96,794	$202	0.2%
Non-GRF	$309,216	$344,010	-$34,794	-10.1%
All Funds	**$406,213**	**$440,804**	**-$34,591**	**-7.8%**
Job and Family Services				
GRF	$15,493	$11,950	$3,544	29.7%
Non-GRF	$18,663	$16,818	$1,845	11.0%
All Funds	**$34,156**	**$28,768**	**$5,388**	**18.7%**
Other				
GRF	$1,184	$985	$199	20.2%
Non-GRF	$4,120	$4,140	-$20	-0.5%
All Funds	**$5,304**	**$5,125**	**$179**	**3.5%**
All Agencies				
GRF	$2,178,750	$2,046,565	$132,185	6.5%
Non-GRF	$2,043,206	$4,110,575	-$2,067,369	-50.3%
All Funds	**$4,221,956**	**$6,157,141**	**-$1,935,184**	**-31.4%**

Table 6: YTD Medicaid Expenditure by Agency and Fund Group

Actual vs. Estimate
FY 2027 as of September 30, 2026
($ in thousands)
Estimate from Department of Medicaid
Actual based on report run in OAKS Actuals Ledger on October 5, 2026

Agency/Fund Group	Actual	Estimate	Variance	Percent
Medicaid				
GRF	$7,392,521	$7,382,795	$9,726	0.1%
Non-GRF	$2,783,228	$4,817,122	-$2,033,894	-42.2%
All Funds	**$10,175,749**	**$12,199,917**	**-$2,024,168**	**-16.6%**
Developmental Disabilities				
GRF	$291,686	$292,717	-$1,031	-0.4%
Non-GRF	$1,076,532	$1,165,838	-$89,306	-7.7%
All Funds	**$1,368,218**	**$1,458,555**	**-$90,337**	**-6.2%**
Job and Family Services				
GRF	$36,086	$40,284	-$4,198	-10.4%
Non-GRF	$56,870	$59,867	-$2,997	-5.0%
All Funds	**$92,956**	**$100,151**	**-$7,195**	**-7.2%**
Other				
GRF	$3,519	$3,633	-$114	-3.1%
Non-GRF	$16,634	$14,685	$1,948	13.3%
All Funds	**$20,153**	**$18,319**	**$1,834**	**10.0%**
All Agencies				
GRF	$7,723,812	$7,719,429	$4,383	0.1%
Non-GRF	$3,933,264	$6,057,512	-$2,124,248	-35.1%
All Funds	**$11,657,076**	**$13,776,942**	**-$2,119,865**	**-15.4%**

Table 7: Monthly Medicaid Expenditure by Payment Category

Actual vs. Estimate
Month of September 2026
($ in thousands)
Estimate from Department of Medicaid
Actual based on report run in OAKS Actuals Ledger on October 5, 2026

Agency/Fund Group	Actual	Estimate*	Variance	Percent
Managed Care				
Covered Families and Children (CFC)	$515,903	$442,450	$73,453	16.6%
Group VIII	$433,813	$431,406	$2,407	0.6%
Aged, Blind, and Disabled (ABD)	$153,854	$161,455	-$7,601	-4.7%
ABD Kids	$75,521	$67,817	$7,703	11.4%
MyCare	$466,938	$472,251	-$5,314	-1.1%
OhioRISE	$113,777	$100,534	$13,243	13.2%
Single Pharmacy Benefit Manager (SPBM)	$444,638	$456,586	-$11,948	-2.6%
Pay for Performance	$0	$0	$0	-
Managed Care Total	**$2,204,443**	**$2,132,499**	**$71,944**	**3.4%**
Fee-For-Service				
ODM Services	$404,050	$338,920	$65,130	19.2%
DDD Services	$402,391	$419,042	-$16,652	-4.0%
Hospital Care Assurance Program	$416,500	$435,000	-$18,500	-4.3%
State-Directed Payments (SDP)	-$65	$1,677,843	-$1,677,908	-100.0%
Nursing Providers Settlement	$542,398	$875,000	-$332,602	-38.0%
Fee-For-Service Total	**$1,765,273**	**$3,745,805**	**-$1,980,532**	**-52.9%**
Premium Assistance				
Medicare Buy-In	$101,521	$106,101	-$4,580	-4.3%
Medicare Part D	$61,866	$63,177	-$1,311	-2.1%
Premium Assistance Total	**$163,386**	**$169,278**	**-$5,892**	**-3.5%**
Administration Total	**$88,852**	**$109,559**	**-$20,707**	**-18.9%**
Total	**$4,221,954**	**$6,157,141**	**-$1,935,187**	**-31.4%**

Table 8: YTD Medicaid Expenditure by Payment Category

Actual vs. Estimate
FY 2027 as of September 30, 2026
($ in thousands)
Estimate from Department of Medicaid
Actual based on report run in OAKS Actuals Ledger on October 5, 2026

Agency/Fund Group	Actual	Estimate*	Variance	Percent
Managed Care				
Covered Families and Children (CFC)	$1,480,414	$1,562,487	-$82,073	-5.3%
Group VIII	$1,305,082	$1,299,764	$5,318	0.4%
Aged, Blind, and Disabled (ABD)	$461,812	$484,562	-$22,750	-4.7%
ABD Kids	$219,185	$203,271	$15,914	7.8%
MyCare	$1,296,870	$1,331,740	-$34,870	-2.6%
OhioRISE	$319,462	$298,858	$20,604	6.9%
Single Pharmacy Benefit Manager (SPBM)	$1,552,032	$1,502,041	$49,990	3.3%
Pay for Performance	$7,112	$50,000	-$42,888	-85.8%
Managed Care Total	**$6,641,969**	**$6,732,723**	**-$90,754**	**-1.3%**
Fee-For-Service				
ODM Services	$1,472,785	$1,380,194	$92,592	6.7%
DDD Services	$1,348,608	$1,418,255	-$69,647	-4.9%
Hospital Care Assurance Program	$827,954	$870,000	-$42,046	-4.8%
State-Directed Payments (SDP)	$39,113	$1,677,843	-$1,638,730	-97.7%
Nursing Providers Settlement	$542,398	$875,000	-$332,602	-38.0%
Fee-For-Service Total	**$4,230,858**	**$6,221,291**	**-$1,990,433**	**-32.0%**
Premium Assistance				
Medicare Buy-In	$316,543	$317,970	-$1,426	-0.4%
Medicare Part D	$190,824	$190,936	-$112	-0.1%
Premium Assistance Total	**$507,367**	**$508,906**	**-$1,538**	**-0.3%**
Administration Total	**$276,880**	**$314,022**	**-$37,142**	**-11.8%**
Total	**$11,657,074**	**$13,776,942**	**-$2,119,868**	**-15.4%**

Expenditures

– Brandon T. Minster, Senior Economist
– Kyuhan Choi, Economist

Overview

For the first three months of FY 2027, GRF program expenditures totaled $13.70 billion. These expenditures were $722.9 million (5.0%) below OBM's estimate. GRF uses also include transfers out, which totaled $1.85 billion and were about $38.3 million below estimate for the YTD. Total GRF uses for these three months, therefore, totaled $15.55 billion, which was $761.1 million (4.7%) under the estimate.

Program expenditures had a negative September variance of $442.9 million (9.7%), as most program categories were below their monthly estimates. This outcome is mainly driven by Property Tax Reimbursements ($434.1 million, 81.6%) and Debt Service ($116.4 million, 47.1%), although positive monthly variances for Medicaid ($132.2 million, 6.5%) and Justice and Public Protection ($20.2 million, 6.5%) partially offset the negative monthly variances. Other categories with negative September variances were Health and Human Services ($18.0 million, 6.7%) and General Government ($14.0 million, 25.8%).

At the end of September, all program categories except Higher Education and Medicaid had a negative YTD variance. The negative YTD variance in program expenditures was mainly driven by Property Tax Reimbursements ($561.1 million, 81.6%), Health and Human Services ($70.4 million, 9.1%), Justice and Public Protection ($69.9 million, 6.7%), and General Government ($19.0 million, 10.1%). Other categories with negative variances were Primary and Secondary Education ($7.4 million, 0.3%), Debt Service ($6.1 million, 1.2%), and Other Education ($2.5 million, 4.5%). As cited above, two categories yielded a positive YTD variance: Higher Education ($9.1 million, 1.3%) and Medicaid ($4.4 million, 0.1%). Medicaid's GRF and non-GRF variances as well as GRF variances in a few other categories are discussed below.

Medicaid

Medicaid is a joint federal-state program. It is mainly funded by the GRF but is also supported by several non-GRF funds. As previously noted, GRF Medicaid expenditures were above their monthly estimate in September by $132.2 million (6.5%) and above their yearly estimate by $4.4 million (0.1%). Non-GRF Medicaid expenditures were below their monthly estimate by $2.07 billion (50.3%) and below their yearly estimate by $2.12 billion (35.1%). Including both the GRF and non-GRF, all funds Medicaid expenditures were $1.94 billion (31.4%) below estimate in September and $2.12 billion (15.4%) below estimate for the fiscal year.

Table 5 shows GRF and non-GRF Medicaid expenditures for the previous month for the Ohio Department of Medicaid (ODM), the Ohio Department of Developmental Disabilities (DODD), and seven other "sister" agencies that also take part in administering Ohio Medicaid. Table 6 shows the figures for the YTD. ODM and DODD account for about 99% of the total Medicaid budget. Therefore, they generally also account for most of the variances in Medicaid expenditures. ODM had an all funds negative variance in September of $1.91 billion (33.5%), and a FY 2027 all funds negative variance of $2.02 billion (16.6%). DODD had a September all funds

negative variance of $34.6 million (7.8%) and a FY 2027 all funds negative variance of $90.3 million (6.2%). The other seven "sister" agencies – Job and Family Services (ODJFS), Health (ODH), Aging (ODA), Behavioral Health (DBH), State Board of Pharmacy, Education and Workforce (DEW), and Children and Youth (DCY) – account for the remaining 1% of the total Medicaid budget. Unlike ODM and DODD, the seven "sister" agencies incur only administrative spending.

Table 7 shows all funds Medicaid expenditures by payment category for the previous month, and Table 8 shows the figures for the YTD. Yearly expenditures were below their estimates for all four major payment categories: Managed Care, Fee-For-Service (FFS), Premium Assistance, and Administration. The largest variance, in both percentage terms and absolute dollars, was the FFS variance of $1.99 billion (32.0%). Roughly 82% of this variance can be attributed to the timing of state-directed payments (SDP). As in FY 2026, delayed SDP spending will necessitate that those payments occur in subsequent months. ODM made a $542.4 million payment towards the $940 million judgment awarded in *State ex rel. LeadingAge Ohio v. Ohio. Dept. of Medicaid* (2025), described further below. Managed Care was $90.8 million (1.3%) below estimate. Below-estimate spending in the Covered Families and Children (CFC) subcategory contributed significantly to this variance. CFC caseloads continue to decline faster than the overall caseload, falling 1.52% in August compared to Medicaid's overall decline of 0.97%. The Premium Assistance negative variance was $1.5 million (0.3%) and the Administration negative variance was $37.1 million (11.8%).

ODM pays nursing facilities for care provided to Medicaid recipients depending on several factors, one of which is a quality-incentive payment. Nursing facilities are measured on several criteria and a mathematical formula is used to award payment. H.B. 33 of the 135th General Assembly made changes to this formula, and nursing facilities disagreed with ODM's interpretation of the formula. In *State ex rel. LeadingAge Ohio v. Ohio Dept. of Medicaid* (2025) the Supreme Court of Ohio ruled on which formula interpretation would be used. ODM initially estimated that this would cost an additional $875 million, and this amount was included in H.B. 479 as a correction to the budget contained in H.B. 96 of the 136th General Assembly. ODM later adjusted the cost upward by $65 million to a total of $940 million, an increase that the Controlling Board approved on September 28, 2026. According to ODM, the majority of the settlement will be made by the end of October. The $875 million estimate shown in Table 7 and Table 8 are from ODM calculations made in August before the Controlling Board action.

ODM caseload totals fell to under 2.76 million at the end of August, a decline of over 26,800 for the month, the largest monthly decline in over two years and the 40th consecutive month of decline. There are now fewer Medicaid recipients in Ohio than there were in February 2020, which was the beginning of the COVID-19 public health emergency.

Health and Human Services

The Health and Human Services program category includes all GRF expenditures by health and human services agencies, excluding expenditures for Medicaid and debt service. In September, this category had a negative variance of $18.0 million (6.7%), increasing the YTD negative variance to $70.4 million (9.1%). Among various state agencies under this category, DCY

was the largest contributor to the negative YTD variance. DCY's expenditure was $39.0 million below its estimate, accounting for 55.5% of the category's negative YTD variance.

The negative monthly and YTD variances were mainly driven by ALI 830500, Early Care and Education. ALI 830500, which supports early care and education activities including the state's subsidized childcare programs, was below its monthly estimate by $18.2 million, extending its negative YTD variance to $16.7 million.

Justice and Public Protection

The Justice and Public Protection program category includes all GRF expenditures by justice and public protection agencies, excluding expenditures for debt service. In September, this category had a positive variance of $20.2 million (6.5%), decreasing the YTD negative variance to $69.9 million (6.7%).

The Department of Rehabilitation and Correction (DRC) accounted for $55.7 million of the category's negative YTD variance. DRC's negative YTD variance was mainly due to ALI 501321, Institutional Operations, which was $7.4 million below its September estimate and $63.8 million below its YTD estimate. The line item primarily pays for the operation of the Department's correctional institutions, including payroll and other costs associated with security, unit management, faculty administration and maintenance, and support services. DRC began large maintenance projects at correctional institutions in the previous fiscal year, but some equipment purchases were slowed by delivery delays. This timing issue should resolve itself later in the fiscal year.

September's positive monthly variance was mainly driven by ALI 501407, Community Nonresidential Programs under DRC, and ALI 019501, County Reimbursement under the Ohio Public Defender. ALI 501407, which is used to finance four grant programs to divert offenders from prison, was above its monthly estimates by $17.8 million. ALI 019501, which is used to reimburse counties for their costs in providing legal counsel to indigent persons in criminal and juvenile matters, was above its September estimate by $15.9 million.

Property Tax Reimbursements

This category of GRF expenditures reimburses school districts and other local governments for their property tax losses due to property tax rollbacks and the homestead exemption. Reimbursements are made twice a year as counties request them. Since payments are made at the request of the counties, this category often has variances at the beginning of a cycle that are offset as the cycle draws to a close.

In September, this category had a negative variance of $434.1 million (81.6%), bringing its YTD negative variance to $561.1 million (81.6%). This negative variance is primarily driven by delays associated with H.B. 186 of the 136th General Assembly, which established an inflation cap credit first applicable to semi-annual property tax bills delivered in the latter half of calendar year 2026. Since some counties have not yet finalized the tax bills, reimbursement requests from these counties are occurring later than anticipated.

Debt Service

The debt service program category funds general obligation bond debt service payments incurred by several state agencies for various capital improvement projects at the state and local levels. It also includes lease rental payments made pursuant to leases and agreements relating to bonds, notes, or other obligations of the state.

The September expenditures in this category were below the monthly estimate by $116.4 million (47.1%), resulting in a negative YTD variance of $6.1 million (1.2%). This large variance for the month is primarily due to ALI 230908, Common Schools General Obligation Bond Debt Service, which is used for debt service payments on general obligation bonds issued to raise funds for the state share of school facilities project costs. The debt payment was originally projected to occur in September but was instead disbursed in August, creating a positive variance in August and a corresponding negative variance for this line item in September.

Issue Updates

Department of Development Awards $14.0 Million in Workforce Housing Grants

– Greg Gillen, LSC Fellow

On September 11, 2026, the Department of Development awarded $14.0 million under the Residential Economic Development District (REDD) Program, which helps fund workforce housing creation near major economic development projects. Ten municipalities in ten counties were awarded a total of $14.0 million, with six municipalities receiving $1.0 million grants and four receiving $2.0 million grants. According to a summary of projects (PDF), these awards are estimated to support development for more than 3,500 housing units. Under the Program, grant awards may range from a minimum of $250,000 to a maximum of $2.5 million. Awards for housing projects are listed in the table below.

REDD awards for FY 2027

Recipient	County	Award ($ Millions)	Housing Units
City of Heath	Licking	$1.0	1,958
City of Cincinnati	Hamilton	$2.0	367-407
City of Xenia	Greene	$1.0	296
City of Cleveland	Cuyahoga	$2.0	200
City of Toledo	Lucas	$2.0	180-200
City of Oberlin	Lorain	$1.0	125
City of Bowling Green	Wood	$1.0	117
City of Columbus	Franklin	$1.0	115
Village of Piketon	Pike	$2.0	At least 100
City of Niles	Trumbull	$1.0	At least 100
	Total	**$14.0**	**3,558**

H.B. 96 established the REDD Program with appropriations of $10.0 million in FY 2026 and $15.0 million in FY 2027 under GRF ALI 1954A7, Residential Economic Development District Program. To be eligible, applicants must build on land within 20 miles of a project site expected

to create at least 700 jobs or funded by at least $700.0 million in private money. Grant funds can be used for site preparation, housing infrastructure such as road and sewer connections, capital, and limited administrative costs. The residential projects must create at least 100 housing units, and applicants must also commit to following pro-housing development policies upon accepting the grant, which could include expediting permits, reducing inspection fees, zoning for density and minimum setback requirements, or other policies. In FY 2026, the Department granted over $9.0 million to five municipalities for roughly 1,300 housing units.

Controlling Board Approves Disbursement of $350 Million in FEMA COVID-19 Obligations

– Maggie West, Senior Budget Analyst

On July 13, 2026, the Controlling Board approved the Ohio Emergency Management Agency's (Ohio EMA) request to appropriate a total of $350 million in FY 2027 to disburse the remaining disaster assistance funding received by the Federal Emergency Management Agency (FEMA) Public Assistance (PA) Program in response to the COVID-19 pandemic. These funds will reimburse state agencies, local governments, and private nonprofit healthcare providers for eligible emergency protective measures carried out during the pandemic, as determined by FEMA. Examples of eligible activities include overtime costs for response activities, purchase of personal protective equipment, and costs related to setting up and running mass vaccination sites. For approved projects, FEMA reimburses 90% of the eligible costs incurred on or after July 2, 2022. For costs incurred before that date, the reimbursement rate was 100%. The COVID-19 FEMA PA Program is expected to be closed out in January 2027.

The FEMA PA Program provides supplemental federal disaster assistance to state, tribal, territorial, and local governments, and certain private nonprofit organizations, to respond to and recover from major disasters or emergencies declared by the President of the United States. The COVID-19 pandemic was declared a national emergency on March 13, 2020. Instead of issuing awards, FEMA creates projects based on each entity's request for assistance, with a single entity eligible to receive approval for multiple projects. As of September 11, 2026, Ohio has distributed just over $1.01 billion and has received approval for approximately 500 projects associated with more than 200 state agencies, local governments, and private nonprofit healthcare providers.

ODH Awards $3.2 Million for the Rural Health Transformation Program Pharmacy Initiative

– Jacquelyn Schroeder, Senior Budget Analyst

On August 26, 2026, ODH and the Governor's Office awarded two grants totaling approximately $3.2 million for the Rural Health Transformation (RHT) Program Pharmacy Initiative. The Ohio Pharmacists Association (OPA) was awarded $2.0 million and the Ohio Board of Pharmacy (PRX) was awarded approximately $1.2 million to help improve pharmacy services in rural areas of the state. Specifically, OPA will work to connect a network of rural providers, including independent and retail pharmacies, federally qualified health centers, and outpatient hospital pharmacies, to a health information exchange. These efforts are designed to improve coordination and access to patients' medical records, leading to more effective management of patient medications and reducing drug-related adverse events. PRX will use their funding to

increase the integration rate of the Ohio Automated Rx Reporting System (OARRS), the state's prescription drug monitoring program, among rural providers. OARRS helps to prevent potential adverse drug interactions and identify instances of fraud related to obtaining controlled substances from multiple providers. PRX will conduct a needs assessment and provide outreach and assistance to rural providers to increase the integration rate.

These grants were issued as a part of the RHT Program, which was authorized by federal law in 2025. The U.S. Centers for Medicare and Medicaid Services (CMS) administers the program at the federal level and awarded Ohio a first-year grant of $202.0 million. Overall program goals are to: improve access to care and health outcomes for rural residents; build partnerships between rural hospitals and other health care providers to promote quality improvement, increase financial stability, and share best practices in care delivery; prioritize the use of new and emerging technologies that emphasize prevention and chronic disease management; and develop workforce initiatives to address gaps in the rural healthcare workforce. A total of $50.0 billion will be available to states over five years. Ohio has identified 73 rural counties that will benefit from RHT Program initiatives. RHT initiatives will address several topics including rural health workforce retention and training, dental and eye health access, and chronic disease prevention.

DEW Awards $20.7 Million in First Round of Federal Grants for High-Quality Community Schools

– Grace Orians, Budget Analyst

In September 2026, DEW announced the award of $20.7 million in federal funds to expand access to high-quality community schools through two competitive grant programs. These include $6.4 million through the Expanding Opportunities Through Quality Charter Schools Program (CSP) and $14.3 million through the State Charter School Facilities Incentive Grant (CFIG) Program. These subgrants are the first from roughly $100 million in federal grants that will be distributed in three competitive funding rounds over five years.

The CSP funds were awarded to four schools to support replicating the educational model of or opening a high-quality community school or expanding an existing high-quality community school. To be eligible for a grant, a school must meet certain criteria with respect to sponsor and state report card ratings and financial audits. In its competitive selection process, DEW prioritized applicants that planned to serve students in regions with limited access to quality school options, regions with a high percentage of economically disadvantaged students, schools offering innovative models, and schools serving high school students. Each grantee was eligible for a maximum of $2 million over up to three years to implement their project. The four CSP grantees have projects ranging from one year (Towpath Trail High School) to the maximum three years (Forward Girls Leadership Academy).

Charter Schools Program (CSP) Grant Recipients, FY 2027

Recipient	County	Purpose	Award
Explorers Academy of Science and Technology	Lucas	To expand academy to serve grades K-12, creating 200 additional seats over two years	$2,000,000
Forward Girls Leadership Academy	Cuyahoga	To open a community school focused on public leadership for girls in grade 9 with plans to expand to grades 10-12	$2,000,000
Towpath Trail High School	Summit	To add a satellite campus in Youngstown focused on careers in construction, advanced manufacturing, healthcare, and business	$1,297,000
North Bend STEM Academy	Hamilton	To open a K-5 STEM school in Cincinnati and ultimately expand to grades K-8	$1,125,000
		Total	**$6,422,000**

DEW awarded the CFIG funding to nine community schools to provide additional facilities, expansion, and other capital needs funding on a per-pupil basis. According to DEW, the per-pupil federal funding is designed to match a portion of the per-pupil state funding for community school facilities. The federal match will phase out after five years (the length of Ohio's federal award), decreasing from 90% in the first year to 20% in the fifth year. A school was required to meet certain state report card criteria and be a site-based or blended learning school to be eligible for a CFIG grant. In selecting recipients, DEW prioritized community schools located in school districts with schools that have been identified as the lowest-performing or with the largest achievement gaps (schools in comprehensive or targeted support and improvement status, respectively, under the federal Elementary and Secondary Education Act), school districts where a large proportion of students perform poorly on state assessments, areas with high concentrations of economically disadvantaged students, and rural communities. The schools selected in the first round are eligible for up to three years of funding. All but one school received a grant for the maximum three years (Horizon Science Academy Dayton's grant is for two years).

Charter School Facilities Incentive Grant (CFIG) Grant Recipients, FY 2027

Recipient	County	City	Award
Horizon Science Academy Elementary School	Franklin	Westerville	$3,090,540
Patriot Preparatory Academy	Franklin	Columbus	$2,936,215

Recipient	County	City	Award
Horizon Science Academy Columbus	Franklin	Columbus	$2,692,546
Menlo Park Academy	Cuyahoga	Cleveland	$1,340,181
Explorers Academy of Science and Technology	Lucas	Toledo	$1,336,120
Horizon Science Academy Springfield	Lucas	Toledo	$1,299,570
Educational Academy for Boys & Girls	Franklin	Columbus	$722,886
Horizon Science Academy Dayton	Montgomery	Dayton	$540,310
Unity Academy	Franklin	Columbus	$361,443
		Total	**$14,319,813**

Controlling Board Approves $2.4 Million for Local Jail Grants in FY 2027

– Jessica Murphy, Senior Budget Analyst

On August 17, 2026, the Controlling Board approved a request from the Department of Rehabilitation and Correction to increase ALI 501505, Local Jail Grants (Fund 5ZQ0), by $2.4 million in FY 2027, to use the remaining funding available for the Ohio Jail Safety and Security Program. Grants awarded through this program support construction, renovation, and security improvement projects at local jails.

Funding for FY 2027 comes from the existing cash balance in Fund 5ZQ0 (Local Jail Grants Fund), which was capitalized by a $75.0 million cash transfer from the GRF authorized by H.B. 33 of the 135th General Assembly. Of that amount, a total of $72.6 million was awarded to 11 counties in FY 2026. The $2.4 million in remaining funds are available due to the cancellation of several previously awarded projects.

The table below lists the ten counties with confirmed projects in FY 2027, award amounts, and a brief description of each project. Grants total $1.74 million and range from $625,000 (Clinton County) to $38,424 (Knox County), with an average award of $174,489. They are paid on a reimbursement basis. Additional projects are under review, and additional counties may receive an award from the $683,354 unassigned balance once cost determinations are finalized.

Local Jail Grants, FY 2027

Recipient	Project Description	Award
Clinton County	Bathroom renovations	$625,000
Brown County	Windows, doors, and razor-wire installation	$300,000
Lawrence County	Lighting upgrades*	$175,000*
Auglaize County	Security mesh and flooring	$162,250
Marion County	Network upgrades	$150,000
Sandusky County	Body scanner upgrades	$96,000
Ashtabula County	Radios, Guardian system, security wrap, kitchen equipment	$84,220
Highland County	Server and camera upgrades	$74,000
Fairfield County	Bathroom renovations	$40,000
Knox County	Food service and packaging equipment	$38,424
	Total	**$1,744,894**
	Unassigned balance	**$683,354**

*The award amount to Lawrence County is an estimate and has not been confirmed as of August 26, 2026.

Four Ohio Hospitals Receive Federal Rural Hospital Grant

– Ryan Sherrock, Senior Economist

On September 10, 2026, four Ohio hospitals received $187,500 each through the federal Rural Hospital Provider Assistance Program. The hospitals are Kings Daughters Medical Center in Portsmouth, Mercy Health Hospital in Tiffin, Pomerene Hospital in Millersburg, and Bellevue Hospital in Bellevue. The Program's goal is to help small rural hospitals maintain their workforce, sustain essential health care services, and increase access to care to reduce the risk of avoidable hospital closures. Eligible hospitals included hospitals that have 50 or fewer acute care inpatient beds, have a Medicare wage index value of less than 0.90,[2] and are located in a rural area as

[2] The wage index is determined by the U.S. Department of Health and Human Services. It reflects the hospital's wage level compared to the national average hospital wage level. Thus, a wage index of 0.90 means that the local wage is 10% lower than the national average.

defined by the Federal Office of Rural Health Policy. Close to 170 hospitals in 13 states met these criteria and were eligible to apply for grants.

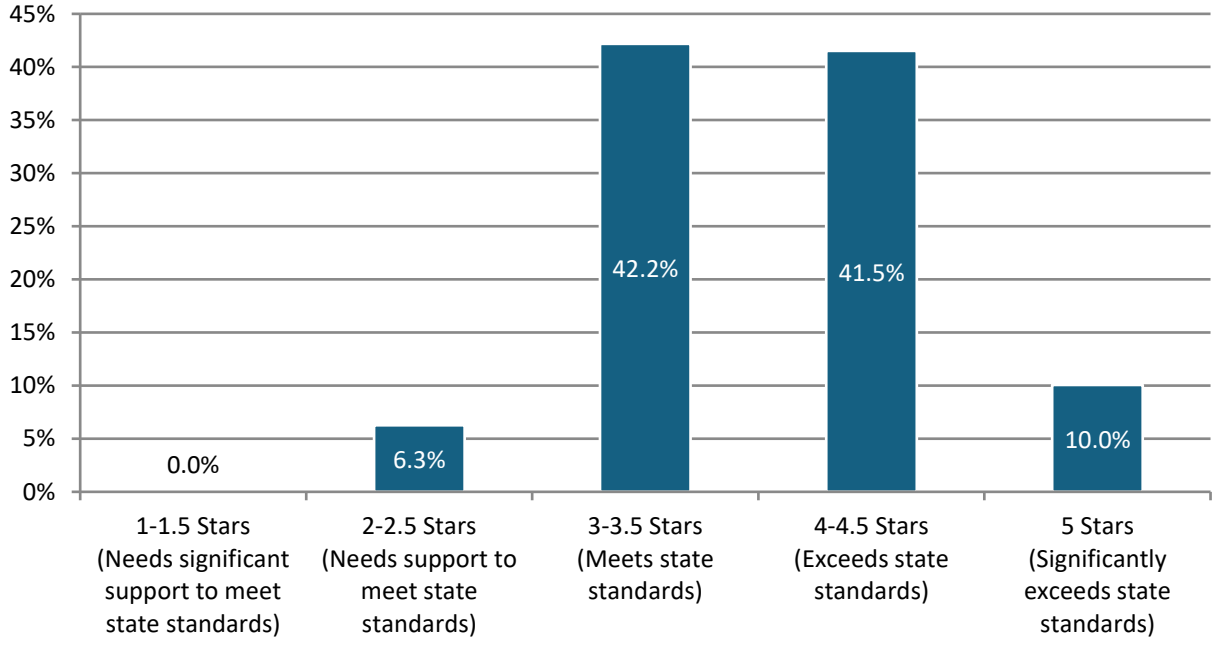
The Program is administered by the U.S. Department of Health and Human Services. In total, approximately $25.0 million in grant funds were awarded to 132 hospitals nationwide. Awards were equally distributed to all hospitals. Hospitals may use this funding to retain physicians, nurses, and other healthcare providers to preserve essential services, such as emergency or inpatient services. Up to 10% of funds may be used for a hospital's administrative expenses.

Ninety-four Percent of School Districts Met or Exceeded State Standards on Latest Report Cards

– Patrick Campbell, Budget Analyst

DEW released its annual report cards for the 2025-2026 school year on September 15. Beginning in the 2022-2023 school year, DEW has issued overall grades to 607 school districts across the state using a one-to-five-star rating system. Of these 607 districts, 569 (93.7%) met or exceeded state standards by receiving three or more stars for the 2025-2026 school year, compared to 550 districts (90.6%) for the 2024-2025 school year. Further, 61 districts (10.0%) received five stars, the highest possible rating, compared to 47 districts (7.7%) in the 2024-2025 school year. No districts received the lowest ratings of one or one and a half stars. The chart below shows the distribution of 2025-2026 school year report card ratings.

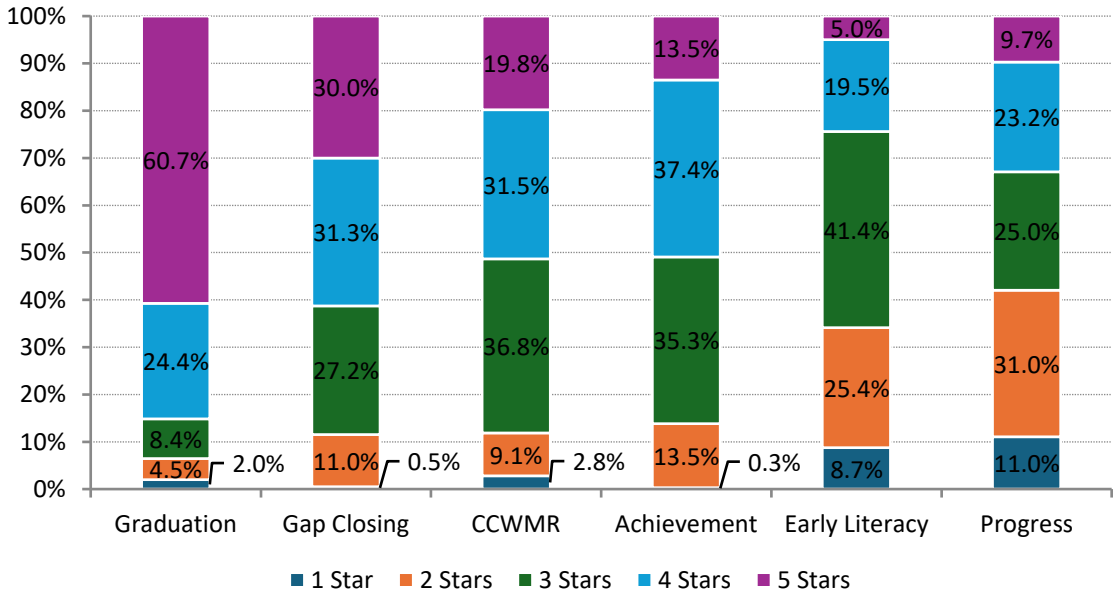
Distribution of Overall Star Ratings for Traditional School Districts, 2025-2026 School Year



The overall star rating is based on the results of six weighted components: achievement (25.0% of the overall rating), progress (25.0%), graduation rate (12.5%), gap closing (12.5%), early literacy (12.5%), and college, career, workforce, and military readiness (CCWMR) (12.5%). The 2024-2025 school year was the first year that the overall star rating calculation includes the CCWMR component. According to DEW, if a district does not receive a rating for one or more of these six components, the remaining components contribute proportionately to the overall rating. The chart below illustrates the share of school districts receiving each rating on each component. As the chart shows, school districts fared best on the graduation component, with 93.6% rated three stars or more and 85.1% rated four or more stars. Based on the share of districts rated three or more stars, districts also fared well on the gap closing (88.5%), CCWMR (88.1%), and achievement (86.2%) components. The gap closing component uses various indicators to measure the closing of achievement gaps between different student subgroups. The CCWMR component assesses the percentage of students in a graduation class who meet various post-secondary readiness measures. The achievement component measures performance on Ohio's state tests in math, English language arts, science, and social studies. However, DEW is currently reviewing testing anomalies on state assessments in at least 52 school buildings, so these figures are subject to change.

Districts struggled most on the progress component, which measures academic growth of students from year to year, and the early literacy component, which measures third grade reading proficiency, promotion to fourth grade based on test scores, and improvement of struggling readers in grades K-3. Statewide, on the progress and early literacy components, 58.0% and 65.8% of districts were rated three or more stars, respectively.

District Report Card Ratings by Component, 2025-2026 School Year



ODOT Awards $21.3 Million for 17 Projects to Improve Bike and Pedestrian Infrastructure

– Terry Steele, Senior Budget Analyst

In August 2026, the Ohio Department of Transportation (ODOT) announced $21.3 million in grants to improve safety for bicyclists and pedestrians through the Transportation Alternatives Program (TAP). Altogether, these awards will support 17 different projects in 16 counties. Total TAP funding for these projects was over $18.6 million, with ODOT's Division of Safety providing an additional $2.7 million of the required 20% local matching funds for 11 of the project awards. The award recipients for the other six projects provided the required matching funds. The grant awards are summarized in the table below. More details for each of the TAP awards, including project descriptions, can be viewed at: TAP Project List 2026 (PDF).

TAP Award Grants, 2026

County	Project Sponsor	Project Description	Funding
Ashland	Village of Loudonville	Main Street bicycle and pedestrian safety improvements*	$1,784,450*
Ashtabula	Ashtabula County Metroparks	Pymatuning Valley Greenway Trail	$4,000,000
Athens	Athens County	Hockhocking Bikeway resurfacing	$434,542
Clinton	Village of Blanchester	Blanchester sidewalk replacement	$320,000
Erie/Huron	ODOT District 3	U.S. 250 Shared Use Path*	$2,800,000*
Fairfield	City of Lancaster	Memorial Pierce pedestrian improvements*	$2,732,115*
Fayette	Fayette County	SR 435 sidewalk improvements*	$865,000*
Hancock	City of Findlay	Bright-Fostoria Connector Path*	$1,137,136*
Hocking	Hocking County	Hocking Valley Scenic Trail	$2,267,370
Holmes	Holmes County	Mohican Valley Trail 2A	$398,881
Huron	City of Norwalk	North End Pedestrian Path*	$511,665*
Knox	Village of Gambier	Village of Gambier multimodal improvements*	$858,970*

County	Project Sponsor	Project Description	Funding
Knox	Village of Fredericktown	Fredericktown Streetscape	$552,520
Ottawa	Village of Oak Harbor	Park Street Shared Use Path*	$637,000*
Tuscarawas	Village of Midvale	Midvale sidewalk improvement project*	$504,000*
Van Wert	City of Van Wert	South Walnut Street reconstruction*	$741,000*
Wayne	City of Wooster	Clear Creek Area Shared Use Path*	$750,000*
		Total TAP Funding	$18,630,082
		Total Safety Program Local Match	$2,664,267
		Total Funding	$21,294,649

*Projects with a 20% local match funded by ODOT Division of Safety.

TAP provides funding for projects defined as transportation alternatives, such as on- and off-road pedestrian and bicycle facilities; infrastructure projects for improving nondriver access to public transportation and enhanced mobility; recreational trail program projects; and safe routes to school projects. Awards, including state match amounts, are determined by a selection committee using a scoring system that prioritizes safety, connectivity, and preservation. The projects are funded through ODOT's Safety Program, which was allocated $204.5 million in FY 2026 and $198.0 million in FY 2027. The Program is funded through the Highway Operating Fund (Fund 7002) ALIs 772421, Highway Construction – State, 772422, Highway Construction – Federal, and 772424, Highway Construction – Other.

Tracking the Economy

– Joyce Chang, Economist

Overview

The U.S. economy is growing at a modest pace heading into the latter half of 2026. Real gross domestic product (GDP) expanded at a 2.2% annualized rate in the second quarter of 2026, driven by consumer spending and business investment. Inflation incrementally climbed to 3.4%, influenced in part by elevated energy prices and ongoing tariff policies. In response, the Federal Reserve raised interest rates for the first time since 2023 and signaled further tightening ahead. The labor market saw a slowdown with nonfarm payroll adding just 29,000 jobs in September. The unemployment rate increased slightly to 4.2%.

Ohio's economic performance generally mirrored national trends. The state's GDP grew 2.0%, supported by durable goods manufacturing and financial and insurance services. The housing market remained to be in favor of sellers, with a housing supply of 3.7 months.

The National Economy

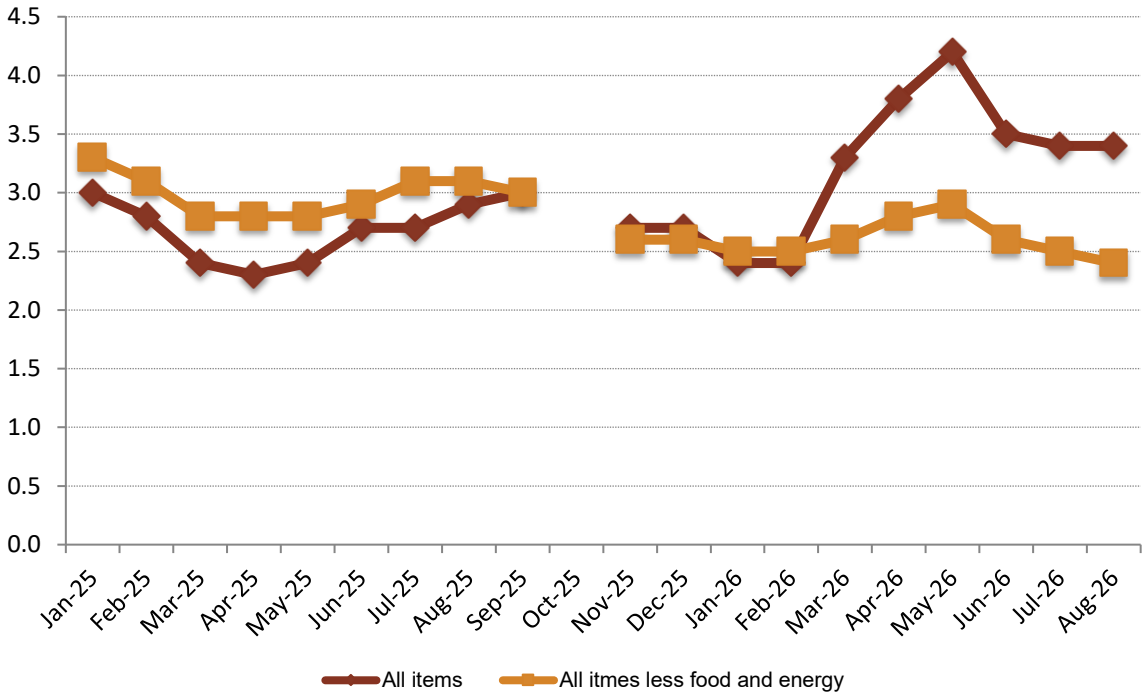
U.S. real GDP grew at an annualized rate of 2.2% in the second quarter of 2026, down 0.3 percentage points from the previous quarter, according to the third estimate released by the U.S. Bureau of Economic Analysis (BEA). The main contributor was consumer spending, which accounted for 2.51 percentage points of the 2.2% increase. The growth in consumer spending was partially offset by an increasing number of imports, which are not produced domestically and therefore subtract from the value of U.S. GDP.

Meanwhile, disposable personal income, or after-tax income, grew at a monthly rate of 0.3% in August, according to estimates released by the BEA. The growth in consumer spending, or personal consumption expenditures (PCE), was slightly larger, at 0.9%. Personal savings rate, calculated as the percentage households save of their disposable income, was 4.1%, down from 4.6% in July. When examined together, the three metrics suggest increasing pressure on consumers near the end of summer.

The year-over-year inflation rate, measured by the Consumer Price Index for All Urban Consumers (CPI-U), was 3.4% before seasonal adjustment in August 2026, according to the U.S. Bureau of Labor Statistics (BLS). On a seasonally adjusted basis, the index rose 0.4% relative to July 2026. In particular, gasoline prices rose 3.9%, and fuel prices rose 10.1%. The index for all items less food and energy (core CPI) increased by 0.3% in August, up 2.4% over the year. Chart 2 shows the 12-month percent change in CPI-U for all items and for all items less food and energy between January 2025 and August 2026.[3]

[3] Data for October 2025 are not available due to a government shutdown.

Chart 2: 12-Month Percent Change in CPI-U and Core CPI, Not Seasonally Adjusted, January 2025-August 2026



In a bid to combat higher inflation, the Federal Open Market Committee (FOMC) voted unanimously to raise interest rates by 25 basis points at its September meeting, bringing the federal funds rate to a target range of 3.75% to 4.00%. This marked the central bank's first rate hike since July 2023. Furthermore, Federal Reserve officials signaled that additional hikes by the end of the year are likely to be needed. Twelve out of 18 committee members anticipate one additional rate hike this year, while four members project two additional hikes. According to Chicago Mercantile Exchange (CME) FedWatch, the next rate increase will likely occur at the first FOMC meeting occurring after the November general election.

Elevated inflation combined with high levels of government debt and heavy corporate borrowing for artificial intelligence infrastructure, has triggered a continuing sell-off in the bond market. The ten-year Treasury yield, a key benchmark for consumer and corporate borrowing costs, surged in late September to 5.34%, the highest level since May 2002. The yield on 30-year Treasury bonds also reached a 24-year peak, ending the third quarter of 2026 at 5.63%.

Unrest in the bond market continues to drive up mortgage rates, further squeezing prospective homebuyers. The average 30-year fixed mortgage rate rose for the sixth consecutive week at the end of September, climbing to 7.28% from 7.03% the previous week, according to data from Freddie Mac. This was the largest jump since October 2022, and the rates were at the highest level since November 2023. The elevated fixed mortgage rates were not accompanied by broad-based home price declines, which slowed the pace of home sales in September. Affordability concerns induced more homebuyers toward the riskier adjustable-rate mortgages, or ARMs. This type of loan typically starts with a lower fixed introductory rate, but after the

introductory period concludes, the rate changes periodically based on market conditions. While ARMs could provide initial savings for short-term residency or planned refinancing, they expose borrowers to payment shocks if benchmark rates remain elevated when the introductory period ends. According to Mortgage Bankers Association, ARMs accounted for 10.3% of total mortgages for the week ending September 25, 2026, the highest since October 2025.

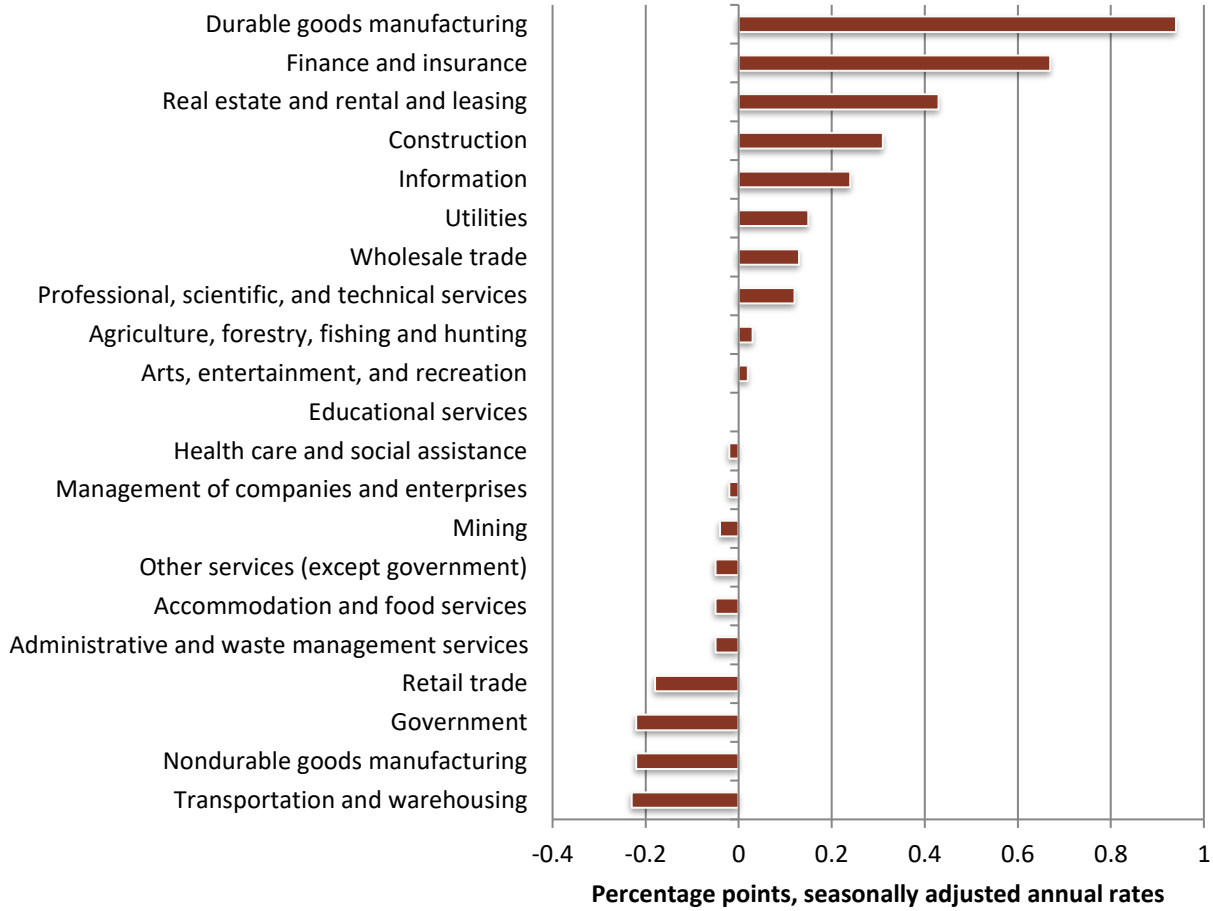
On the labor market front, the BLS estimated that the U.S. added just 29,000 jobs in September, well below the Dow Jones consensus estimate of 84,000. Employment in all major industries remained basically unchanged over the month. In addition to the tepid growth in September, the change in total nonfarm payroll employment for July and August was revised down by a combined 60,000 fewer jobs than previously reported. The unemployment rate rose slightly from 4.1% in August to 4.2%. Growth in average hourly wages was slightly outpaced by the rate of inflation. In September, average hourly earnings increased by 3.0% compared to 12 months ago; consumer prices, on the other hand, rose by 3.4% in the 12 months prior to August, the latest month for which the data is available.

As prices remain elevated and wage growth decelerates, Americans' confidence in the economy slipped to a 12-year low in September. The Conference Board reported that its consumer confidence index fell 6.7 points to 81.9, the lowest since 2014. At the same time, University of Michigan's Consumer Sentiment Index also dropped to 46.3 in October, marking a five-month low and near the all-time low recorded this past May.

The Ohio Economy

Ohio's real GDP grew at an annualized rate of 2.0% in the second quarter of 2026, slightly lower than the national rate of 2.2%, according to BEA data released in late September. The industries contributing the most to the state's growth were durable goods manufacturing and financial and insurance services, which accounted for 0.9 and 0.7 percentage points of the growth, respectively. The leading industries that partially offset the overall growth were transportation and warehousing and nondurable goods manufacturing. Chart 3 shows the contributions to real GDP growth by industry.

Chart 3: Contribution to Percent Change in Ohio's Real GDP by Industry, Q2 2026



Personal income in Ohio grew at a seasonally adjusted annual rate of 5.6% in the second quarter of 2026, 0.9 percentage points higher than the national average, according to BEA data. Meanwhile, year-over-year PCE in Ohio increased by 4.9% in 2025, according to the latest data released in September. Health care and housing and utilities were the two largest spending categories, making up almost 45% of all consumer spending.

Midwest consumer prices measured by CPI-U rose 0.4% in August, closely tracking the national average. The region's energy prices tell a different story. Local energy prices outpaced the national average by nearly a full percentage point (2.2% vs. 1.3%), driven primarily by a 4.7% spike in gasoline prices. A series of refinery outages over the summer in Chicago and Ohio spurred higher prices for the Midwest region.

Based on preliminary data from the BLS, total nonfarm payroll employment in Ohio rose by 2,100 in August, up 0.2% over the year. The monthly growth was primarily driven by gains in goods-producing industries (3,900) and public sector employment (400). The private service-providing industries sustained a loss of 2,200 jobs. Ohio's unemployment rate dropped to 3.3% in August, marking the eighth consecutive monthly decline from the 4.4% unemployment rate observed in December 2025. Meanwhile, labor force participation rate decreased by one

percentage point to 61.3% over that same time span, suggesting that some unemployed workers may have exited the labor force entirely.

According to data from Ohio Realtors, the state's housing market saw 11,718 home sales in August, representing a 4.2% year-over-year decline. The median sales price was $268,000, up 4.4% year-over-year. Active listings increased by 1.9%, from 38,427 in August 2025 to 39,168. However, with 3.7 months of housing inventory, the market remained firmly in favor of sellers. Meanwhile, residential construction slowed considerably. According to the Building Permits Survey conducted by the U.S. Census Bureau, Ohio issued 2,525 new seasonally adjusted housing permits (58.3% of which were for single-family homes), marking a 15% drop from the previous month.